



**National Association of
State Telecommunications Directors**

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February 4, 1998

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Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street N.W., Room 222
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RE: CC Docket No. 96-45
Request for Comments (Report to Congress)

Dear Secretary Salas:

Enclosed for filing are an original and four copies of the comments of the National Association of State Telecommunications Directors in the above-referenced docket.

A copy of these comments on diskette has been provided under separate cover to Ms. Sheryl Todd of the Universal Service Branch.

Thank you for your consideration.

Sincerely,

Jody McCann
President

enc.

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of Federal-State Joint Board on Universal Service
CC Docket No. 96-45
Request for Comments (Report to Congress)

**REPLY COMMENTS OF THE NATIONAL ASSOCIATION OF STATE
TELECOMMUNICATIONS DIRECTORS**

Pursuant to Section 1.51(c) of the Commission's rules the National Association of State Telecommunications Directors (NASTD) hereby submits these reply comments in response to the Commission's Public Notice of January 5, 1998, in the above-referenced proceeding. In this proceeding the Commission is seeking public comment in connection with the Report to Congress on Universal Service as required by statute.

NASTD is an organization made up of state government telecommunications managers from all 50 states, the District of Columbia and the U.S. Territories. These managers administer the state organizations that provide state government communications facilities, systems and services for state agencies and other public entities including hospitals, schools and libraries.

Most states, through their respective legislatures, have established organizations for the procurement, oversight and management of telecommunications resources to meet the needs of state government. Each state telecommunications organization serves multiple government entities which include not only state agencies, but in many cases county and local governments, public health agencies, public schools and public libraries.

In order to serve their various government customers, the state telecommunications organizations procure a myriad of telecommunications services and hardware components from multiple service and equipment vendors, and bundle the components into service offerings through state telecommunications networks (STNs). The services offered include local and long distance voice communications, video transmission, dedicated and shared data networks, Internet access and premises wiring. Most of these services are connected by or use bandwidth or transmission capability of the state telecommunications network.

In many states STNs play a key role in providing lowest-cost services to schools and libraries. Participation by these entities, as with other political subdivisions of the state, in the STN is fundamentally voluntary; though depending on the individual state law the

STN can be obligated to provide services to any such requesting entity. State programs or initiatives may encourage use of the STN by schools and libraries, but even when no other incentive exists and where STNs are available, many schools and libraries choose to participate because of the significant cost savings they can realize.

The pricing advantages available to schools and libraries through STNs further leverage a primary objective of providing access to advanced services for these entities under Sec. 254(h) of the Telecommunications Act of 1996. The Commission recognized this in ultimately adopting mechanisms allowing the prices of services available through STNs to serve as pre-discount prices that eligible schools and libraries may use in calculating their discounts under the funding mechanism adopted in the Commission's May 8, 1997, Report and Order in CC Docket 96-45.

Following the May 8 Report and Order, NASTD argued in several filings before the Commission¹ that, in addition to STN pricing being eligible for discounts, STNs themselves should be eligible for direct reimbursement from the Commission's Universal Service Fund. NASTD argued that the cost and administrative efficiencies available through STNs cannot be fully realized under the Universal Service Fund structure unless there is a clarification or modification to permit STNs to reflect Universal Service discounts in the rates charged to their school and library members and then apply directly to the Universal Service Fund for reimbursement.

In its Fourth Order on Reconsideration ("Fourth Order") in this docket, adopted on December 30, 1997, the Commission addressed issues raised by NASTD and other petitioners that were filed for reconsideration and/or clarification of the May 8th Order and a subsequent Commission Order adopted July 10, 1997.

The Fourth Order concludes that state telecommunications networks that procure supported telecommunications and make them available to schools and libraries constitute consortia that will be permitted to secure discounts on such telecommunications services on behalf of eligible schools and libraries. The FCC further concluded that, with respect to Internet access and internal connections, state telecommunications networks may either secure discounts on such telecommunications on behalf of schools and libraries, or receive direct reimbursement from the universal service support mechanisms for providing such services. (Fourth Order at para. 182)

With respect to Internet access and internal connections the decision in the Fourth Order will allow the schools and libraries that are customers of STNs to realize the full cost and administrative efficiencies available through STNs, while allowing the STNs to fully recover the cost of providing those services.

¹ Request for Partial Reconsideration and Clarification, July 17, 1997; Request for Partial Reconsideration and Clarification, August 28, 1997; Ex Parte Supplement, September 26, 1997.

Beyond providing Internet access and internal connections, STNs provide schools and libraries with local and long distance voice telecommunications services and various forms of video transmission services. These services are frequently provided to the end user through bundled components purchased from multiple service and equipment vendors. Under the definition of "telecommunications services" the Commission has adopted, STNs will be eligible to receive discounts from telecommunications carriers on the portions of these services STNs provide to eligible schools and libraries; however, STNs will not be able to receive reimbursement directly from the universal service funding mechanism. Some of the costs incurred by STNs in providing services to schools and libraries are not directly attributable to readily identifiable costs of components that the STNs purchase from service and equipment vendors. For example, in order to support their operations, the STNs generally must, by law, allocate the costs of the aggregated services they provide, along with a small administrative charge to cover costs of the STN employees, contract administration and other related operating expenses, among all the government entities (including schools and libraries) on the network. To the extent that these administrative costs are not reimbursable under the Commission's rules, the ability of STNs to continue serving as cost-efficient providers of aggregated services to schools and libraries may be jeopardized.

NASTD supports the Commission's efforts to date to implement access to advanced services for schools and libraries under universal service support mechanisms.. NASTD's members will work with the Schools and Libraries Corporation to ensure that the administrative and cost efficiencies of STNs continue to be available to eligible schools and libraries under the Commission's rules. NASTD and its members thank the Commission for its consideration.

Respectfully submitted,

NATIONAL ASSOCIATION OF STATE TELECOMMUNICATIONS DIRECTORS

By: 

Jody McCann, President

National Association of State Telecommunications Directors

c/o The Council of State Governments

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